



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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WENDY L. WATANABE
AUDITOR-CONTROLLER

October 23, 2013

TO: Supervisor Mark Ridley-Thomas, Chairman
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe *Wendy Watanabe*
Auditor-Controller

SUBJECT: **LONG BEACH MEMORIAL MEDICAL CENTER – A DEPARTMENT OF
PUBLIC HEALTH HIV/AIDS PREVENTION AND CARE SERVICES
PROVIDER – CONTRACT COMPLIANCE REVIEW**

We completed a contract compliance review of Long Beach Memorial Medical Center (LBMMC or Agency) which covered a sample of transactions from March 2011 to November 2012. The County Department of Public Health Division of HIV and STD Programs (DHSP) contracts with LBMMC, a non-profit organization, to provide HIV/AIDS medical outpatient and case management services.

The purpose of our review was to determine whether LBMMC provided services to eligible clients, and spent DHSP Program funds in accordance with their County contracts. We also evaluated the adequacy of the Agency's accounting records, internal controls, and compliance with their contracts and applicable guidelines.

At the time of our review, LBMMC had two cost-reimbursement contracts with DHSP. DHSP paid the Agency approximately \$472,000 from March 2011 to November 2012. LBMMC provides services in the Fourth Supervisorial District.

Results of Review

LBMMC provided services to eligible clients, and maintained adequate personnel records. However, we identified \$241,654 in questioned costs. Specifically, LBMMC:

- Billed DHSP \$222,139 in consultant expenditures from March 2011 to September 2012 that included charges for services provided to non-DHSP clients. The Agency did not maintain documentation to identify the portion of the \$222,139 related to services to DHSP clients.

LBMMC's attached response indicates that they disagree with our findings. However, LBMMC did not provide documentation to support that treatments provided to LBMMC clients are billable to DHSP. LBMMC should work with DHSP to resolve this issue.

- Reported \$18,025 in expenditures in their Cost Reports that were not supported by the Agency's financial records.

LBMMC's response included supporting documentation such as an audited Consolidated Schedule of Salaries and Benefits that supports \$18,025 in expenditures reported in their Cost Reports.

- Billed DHSP \$1,490 in travel expenditures that were not supported by receipts and cancelled checks. The Agency also did not provide documentation to support that the trip was related to DHSP. Subsequent to our review, the agency provided receipts and additional documentation to support that the travel expenditures were related to DHSP.

LBMMC's response also included a cancelled check to support the travel expenditures.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with LBMMC and DHSP. In their attached response, LBMMC disagreed with our finding regarding consultant expenditures and requested additional time to complete a time study to further support consultants' time spent in Program-related activities. LBMMC indicated that they will implement an allocation method and present the revised billings to DHSP no later than December 2013.

We thank LBMMC management and staff for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

WLW:AB:DC:EB

Attachment

c: William T Fujioka, Chief Executive Officer
Jonathan E. Fielding, M.D., M.P.H., Director, Department of Public Health
Long Beach Memorial Medical Center
Russell Hill, Chairperson, Board of Directors
Diana Hendel, Pharm.D, President and Chief Executive Officer
Public Information Office
Audit Committee

**LONG BEACH MEMORIAL MEDICAL CENTER
HIV/AIDS PREVENTION AND CARE SERVICES
MARCH 2011 TO NOVEMBER 2012**

ELIGIBILITY

Objective

Determine whether Long Beach Memorial Medical Center (LBMMC or Agency) provided services to clients who met the Department of Public Health Division of HIV and STD Programs (DHSP) eligibility requirements. In addition, determine whether LBMMC provided the services billed to DHSP and collected fees from eligible clients in accordance with their County contracts.

Verification

We reviewed the case files for ten (5%) of the 194 clients who received services between March 2011 and November 2012 for documentation of their eligibility for DHSP services. We also verified whether the Agency collected fees from clients in accordance with the Agency's approved client fee schedule.

Results

LBMMC had documentation to support all ten clients' eligibility for DHSP services. However, LBMMC did not develop or implement a client fee schedule based on their ability to pay as required in the Additional Provisions of their County contracts.

Recommendations

Long Beach Memorial Medical Center management:

- 1. Develop a client fee schedule, and submit the schedule for approval to the Department of Public Health.**
- 2. Collect fees based on the approved client fee schedule.**

CASH/REVENUE

Objective

Determine whether LBMMC recorded revenue in the Agency's financial records properly, deposited cash receipts in their bank accounts timely, and that bank account reconciliations were reviewed and approved by Agency management.

Verification

We interviewed LBMMC management, and reviewed the Agency's financial records and October 2012 bank reconciliations for two bank accounts.

Results

LBMMC recorded revenue properly, deposited cash receipts timely, and reviewed and approved bank reconciliations.

Recommendation

None.

COST ALLOCATION PLAN**Objective**

Determine whether LBMMC prepared its Cost Allocation Plan (Plan) in compliance with their County contracts, and used the Plan to allocate shared costs appropriately.

Verification

We reviewed LBMMC's Plan. However, we did not review shared costs because LBMMC did not bill any shared costs to their County contracts.

Results

LBMMC's Plan was not prepared in compliance with their County contracts. Specifically, the allocation methodology was based on predetermined contract funding amounts rather than actual data.

Recommendation

- 3. Long Beach Memorial Medical Center management ensure their Cost Allocation Plan is prepared in compliance with their County contracts and shared costs are allocated based on actual expenditures or data.**

EXPENDITURES**Objective**

Determine whether expenditures charged to DHSP were allowable under their County contracts, documented properly, and billed accurately.

Verification

We interviewed Agency personnel, and reviewed financial records for 13 expenditures, totaling \$67,589, that the Agency charged to DHSP from March 2011 to September 2012. Based on the result of our initial review of the consultant expenditures, we expanded our reviewed and tested an additional \$165,328 in consultant expenditures that the Agency billed to DHSP from March 2011 to September 2012.

Results

LBMMC charged DHSP \$223,629 in questioned costs. Specifically, the Agency billed DHSP:

- \$222,139 in consultant expenditures from March 2011 to September 2012 that were not adequately supported by client visitation logs. Specifically, LBMMC's consultants did not separate DHSP and non-DHSP clients' charges in their monthly billings. For example, one consultant's agreement stated that the consultant's monthly billing amount was based on grant budgets.

\$1,490 in travel expenditures that were not supported by receipts and cancelled check. In addition, the Agency did not provide documentation to support that the trip was related to DHSP. Subsequent to our review, the Agency provided receipts and additional documentation to support that the travel expenditures were related to DHSP. However, the Agency did not provide a cancelled check to support expenditures were actually paid. LBMMC's attached response included a copy of a cancelled check to support \$1,490 in travel expenditures.

Recommendations

Long Beach Memorial Medical Center management:

4. **Repay the Department of Public Health \$222,139 for unsupported consultant expenditures or provide additional documentation to support the consultant charges billed to the Division of HIV and STD Programs.**
5. **Ensure all Program expenditures are adequately supported by proper documentation.**

PAYROLL AND PERSONNEL**Objective**

Determine whether LBMMC charged payroll costs to DHSP appropriately, and maintained personnel files as required.

Verification

We compared the payroll costs for six employees, totaling \$7,768 for August 2012, to the Agency's payroll records and timecards. We also reviewed the personnel files.

Results

LBMMC charged payroll expenditures to DHSP appropriately and maintained personnel files as required by their County contracts.

Recommendation

None.

COST REPORTS**Objective**

Determine whether LBMMC's Cost Reports reconciled to their financial records.

Verification

We compared the Agency's Cost Reports for February 2012 and March 2012 to their financial records.

Results

LBMMC's Cost Reports did not reconcile to their accounting records. Specifically, the Agency's financial records did not support \$18,025 in expenditures that were reported in their Cost Reports. LBMMC's response included an audited Consolidated Schedule that supports \$18,025 in expenditures reported in their Cost Reports.

Recommendation

- 5. Long Beach Memorial Medical Center management ensure Cost Reports reconcile to their accounting records, and adequate documentation is maintained to support expenditures reported in the Cost Report.**



September 13, 2013

Ms. Iscah Wang
Wendy L. Watanabe, Auditor-Controller
Department of Auditor-Controller
Countywide Contract Monitoring Division
350 S. Figueroa Street, 8th Floor
Los Angeles, CA 90071

Dear Ms. Wang:

Enclosed is the Long Beach Memorial Medical Center response to the Contract Compliance Review report received on September 3, 2013.

Sincerely,

Patricia Nakazawa
Contract Manager
Long Beach Memorial Medical Center
Miller Children's Hospital Long Beach
Community Hospital Long Beach
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DHSP – Department of Auditor-Controller
Response to Contract Compliance Review

September 12, 2013

Following is a response to the Contract Compliance Review report received on September 3, 2013, following an initial review conducted in November 2012 and an Exit Conference with Iscah Wang on August 15, 2013. Following are the responses from Long Beach Memorial Medical Center (LBMMC) related to sections of the final report that contain recommendations.

1. Eligibility

It was recommended that LBMMC develop a client fee schedule and collect fees based on the client's ability to pay. Several years ago, LBMMC had such a policy related to the patients served under this grant. As a high percentage of patients were unable to pay, implementing the policy was a burden and it was discontinued.

For this purpose, a client fee schedule can be developed and implemented at the department level. Information has already been gathered, and outpatient management in collaboration with other personnel are in the process of formalizing a new policy. Once approved by the hospital, the policy will be sent to DHSP for approval—no later than the end of December 2013.

2. Cost Allocation Plan

As noted in the final report, LBMMC does not bill any shared costs to the County contract. As its current cost allocation plan appears to not meet all County compliance requirements, LBMMC will request its Financial Services Department to develop a cost allocation plan to meet County requirement for use in future proposals where dollars might be available to cover indirect or overhead expense incurred. This project is not under the department's control, but LBMMC will communicate a goal to have this new plan drafted by December 2013.

3. Expenditures

LBMMC respectfully disagrees with these findings; all amounts paid to contractors were justified and reasonably documented. Of the \$222,139 in consultant expenditures questioned, \$25,812 of it related to crisis intervention for Medi-Cal patients and other mental health services provided to grant patients by the psychiatrist. During the Exit Conference, LBMMC presented a series of email approvals for those expenditures by the County. That documentation is being resent and included with this response, which will validate the \$25,812.

The \$1,490 in travel expense was also approved at the Exit Conference by documentation showing the relevance of the conference to the program. As requested, attached to this response is a copy of the canceled check.

The remaining \$196,327 in question covers expenses paid for contracted medical services provided by Pediatric Infectious Disease Associates (PIDA) to patients covered by this grant. Monthly time sheets are submitted by each of the contracted physicians in the group. During the Exit Conference, it was communicated to LBMMC that the time sheet format currently used by PIDA physicians does not sufficiently detail time and effort; it appears time and effort needs to be documented at the patient level. Detailed documentation is acutely time consuming for physicians. It was suggested by Ms. Wang that PIDA physicians might document a sample "time study" annually as a substitute. Previous reviews conducted by OAPP/DHSP did not

address a deficiency in regards to physician timesheets. LBMMC respectfully requests time to initiate a sample study, which the physicians agreed to do for a month at the patient level to further support the time spent in activities required by the grant. This time study will be complete, summarized and presented to DHSP no later than December 2013.

4. Cost Reports

During the Exit Conference, LBMMC's Assistant Controller explained to Ms. Wang that all benefits do not reside in the department cost center. LBMMC's Accounting Department uses the OSHPD (State of California) general ledger numbering system, which provides a general ledger location (not at the department level) for employee benefits that are not payroll related. Only FICA, PTO and Workers' Comp are accounted for in department reports. All other benefits including health benefits (medical, dental and vision), retirement, disability and many other smaller amounts are accounted for in a single Human Resources cost center.

Health benefits alone are over 10% of LBMMC's benefit package and are not seen at the department level. However, the total percentage of benefits paid by the grant is less than the total provided by LBMMC and are legitimate charges to the grant—even though they appear in a separate cost center. Attached is a copy of the consolidated benefits report at June 30, 2012, following last year's fiscal audit.

Respectively submitted:

 9/13/13
Sally A. Lane, Director
Contract and Grant Administration

 9/13/13
Anne Tanner, Executive Director
Outpatient Specialty Clinics

 9/13/13
Mary Jorgensen, RN, Manager
Bickerstaff Family Center

 9/13/13
Audra Deveikis, M.D., Medical Director
Bickerstaff Family Center